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# ANNUAL REPORT

## STRAWBRIDGE & CLOTHIER

FISCAL YEAR 1955

Ended January 28, 1956

# STRAWBRIDGE & CLOTHIER

# ANNUAL REPORT

FISCAL YEAR 1955

ended January 28, 1956

PHILADELPHIA • ARDMORE • JENKINTOWN • WILMINGTON

# *Board of Directors*

DWIGHT G. PERKINS, *Chairman*

ROBERT E. STRAWBRIDGE
FREDERIC H. STRAWBRIDGE
ISAAC H. CLOTHIER, JR.
FRANCIS R. STRAWBRIDGE
J. CLAYTON STRAWBRIDGE
DONALD C. MILLS
ISAAC H. CLOTHIER, 3RD
FRANCIS R. STRAWBRIDGE, JR.
G. STOCKTON STRAWBRIDGE
ROBERT E. STRAWBRIDGE, JR.
RANDALL E. COPELAND
FRANK R. VEALE

## *Officers*

DWIGHT G. PERKINS ..... *Chairman of the Board*
G. STOCKTON STRAWBRIDGE ..... *President*
J. CLAYTON STRAWBRIDGE ..... *Vice-President and Secretary*
ISAAC H. CLOTHIER, 3RD ..... *Vice-President*
FRANCIS R. STRAWBRIDGE, JR. *Vice-President and Ass't. Secretary*
DONALD C. MILLS ..... *Vice-President and Treasurer*
RANDALL E. COPELAND ..... *Vice-President*
THOMAS G. PATTON ..... *Assistant Treasurer*

## *Transfer Agents and Registrars*

GIRARD TRUST CORN EXCHANGE BANK, Philadelphia, Pa.

TRANSFER AGENT *for the $5 Cumulative Preferred Stock and*
REGISTRAR *for the Common Stock*

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THE FIRST PENNSYLVANIA BANKING & TRUST COMPANY, Philadelphia, Pa.

TRANSFER AGENT *for the Common Stock and*
REGISTRAR *for the $5 Cumulative Preferred Stock*

## *To Our Shareholders:*

This Annual Report covers the 88th year of our Company's business and is respectfully submitted by the Board of Directors. The report includes a Summary of Income, Statement of Financial Condition and Statement of Stockholders' Investment at January 28, 1956, certified by Messrs. Ernst & Ernst, our independent public accountants.

## *Operations and Earnings*

Contrasted to the national pattern where increased sales were quite generally experienced in department store retailing, the Federal Reserve Bank of Philadelphia reported that center city department store sales in total for the calendar year declined over 2%. However, sales for the eight county metropolitan area, as well as for the entire Third Federal Reserve District, increased 7%.

We believe that the sales loss in center city Philadelphia is largely attributable to the spectacular development of branch stores and the consistent trend toward decentralization of shopping facilities throughout our expanding suburban areas.

In 1955 our company was the only Philadelphia department store not benefited by the opportunity of increasing total sales volume through the acquisition of an additional branch unit. As a result, although our total sales reached the highest level in our company's history, the increase was a modest one over the preceding year and was due entirely to the steady growth of our branch store business.

Income before adjustment of inventories to our approved "Lifo" basis and before income taxes was $187,005 more than the previous year. However, a difference of $214,301 in the "Lifo" adjustment and an increase in the income tax provision of $131,300 reduced our net earnings compared to the previous year by $158,596. Net earnings for 1955 were $2,285,121 compared to $2,443,717 in 1954. Earnings amounted to $2.59 per share of Common Stock, compared to $2.79 the previous year, both amounts calculated on the number of shares outstanding at January 28, 1956. The number of shares outstanding at January 28, 1956, included a 5% stock dividend of 34,861 shares issued March 25, 1955.

Comparison of the current year's operating results and the disposition thereof, with the previous year, follows:

| | 1955 | 1954 | Increase Decrease* |
|---|---|---|---|
| Income before "Lifo" adjustment and taxes | $5,033,803 | $4,846,798 | $187,005 |
| "Lifo" adjustment—decrease* | 58,682 | 155,619* | 214,301 |
| Income before taxes | 4,975,121 | 5,002,417 | 27,296* |
| Taxes on income | 2,690,000 | 2,558,700 | 131,300 |
| Net Earnings | 2,285,121 | 2,443,717 | 158,596* |
| Cash Dividends on Preferred Stock | 392,410 | 401,151 | 8,741* |
| Cash Dividends on Common Stock | 731,934 | 697,029 | 34,905 |
| 5% Stock Dividend on Common Stock | 34,861 shares | 33,201 shares | 1,660 shares |
| Earnings retained for use in the business | 1,160,777 | 1,345,537 | 184,760* |

## *Financial Condition*

The Company's sound financial condition has been well maintained as is indicated in the following comparative statistics:

| | January 28, 1956 | January 31, 1955 | Increase Decrease* |
|---|---|---|---|
| Current Assets | $29,609,905 | $28,012,104 | $1,597,801 |
| Current Liabilities | 8,238,892 | 8,689,734 | 450,842* |
| Ratio Current Assets to Current Liabilities | 3.59 to 1 | 3.22 to 1 | |
| Working Capital | 21,371,013 | 19,322,370 | 2,048,643 |
| Long Term Indebtedness | 5,500,000 | 4,800,000 | 700,000 |
| Preferred Stock | 7,820,300 | 7,878,700 | 58,400 |
| Common Stock Equity | 27,567,562 | 26,409,538 | 1,157,924 |
| Book Value per Share of Common Stock on basis of outstanding shares at January 28, 1956 | 37.66 | 36.08 | 1.58 |

It is well to note that working capital at January 28, 1956 was $21,371,013, an all time high and that the ratio of current assets to current liabilities was 3.59 to 1.

Regular quarterly dividends of $1.25 were paid on the $5 Cumulative Preferred Stock. Quarterly dividends of 25 cents were paid on the Common Stock and, in addition, a stock dividend of 5% was paid on March 25, 1955.

The required sinking fund provision on $5 Cumulative Preferred Stock was fulfilled.

During the year our Company received the balance of $1,200,000 of the long-term loan negotiated in 1953 with the Penn Mutual Life Insurance Company and the Philadelphia National Bank. The first annual installments of $500,000 due on the loan in 1956, have been classified in the Statement of Financial Condition as a current liability.

## *Improvements and Modernization*

Consistent with our policy of maintaining our physical properties and store facilities in first class condition, we have just completed the modernization of our fifth and seventh selling floors in addition to our Basement Fountain Grill.

During the current year a similar program of improvement will be undertaken for our two furniture selling floors, in addition to the rehabilitation of individual departments which will proceed as the necessity arises.

We have reached substantial agreement as to the terms of a long-term lease with the owners of the Cherry Hill Shopping Center near Haddonfield, New Jersey, and if plans develop as we anticipate, our fourth and largest branch should be in operation no later than the Fall of 1958. At Cherry Hill it is our expectation to be the principal tenant in what will probably be the largest shopping center in the Philadelphia trading area.

In preceding annual reports mention has been made of improvements to our service building facilities. These plans have been deferred pending a further study of our long range needs, resulting from what has been in the recent past and promises for the future to be, a program of continuing expansion.

## *Looking Ahead*

It is our fixed policy objective to so conduct our business as to be dominant in the Philadelphia trading area. In keeping with this objective it is our plan to constantly survey opportunities for capturing a larger segment of the consumer market, primarily in the field of further branch expansion. We are at this time actively studying additional location possibilities.

The problem of more effectively controlling operating expenses presents a formidable challenge to the retail industry and is uppermost in the minds of department store managements. Through the continued application of industrial engineering techniques and the general streamlining of methods now employed in the movement of merchandise and the handling of information, we expect in the years ahead to make significant strides in many areas of operating expense.

Ours is a difficult business for which to forecast on other than a short range basis. However, during 1956 we should be able to maintain our sales volume. Locally our well diversified business and industrial economy should continue stable throughout the year with generally near full employment assured and we look forward to another successful year.

## *General*

At the December meeting our Board of Directors elected two new Vice Presidents—Mr. Donald C. Mills and Mr. Randall E. Copeland.

Mr. Mills continues as the Treasurer of the Company but assumes new responsibilities as Vice President of our Operating, Personnel and Control Divisions. Mr. Copeland assumes new responsibilities as Vice President for our Merchandise and Publicity Divisions. We believe that this organizational change will contribute to the general strengthening of our management structure.

The Board of Directors joins me in expressing our sincere appreciation to our Store Family whose loyal efforts and cooperation have made possible another successful year.

FOR THE BOARD OF DIRECTORS

J. Stockton Strawbridge

*President.*

APRIL 11, 1956

## ERNST & ERNST
PHILADELPHIA

To the Shareholders of
Strawbridge & Clothier

We have examined the statement of financial condition of Strawbridge & Clothier as of January 28, 1956, and the related summary of income, and statement of stockholders' investment for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination and report for the year ended January 31, 1955.

In our opinion, the accompanying statement of financial condition and related summary of income and statement of stockholders' investment present fairly the financial position of Strawbridge & Clothier at January 28, 1956, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Ernst & Ernst
Certified Public Accountants

Philadelphia, Pa.
March 24, 1956

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To the Shareholders

The financial statements contained in this report are correct to the best of my knowledge and belief.

Donald C. Mills

Vice President and Treasurer
Strawbridge & Clothier

April 11, 1956

## Summary of Income

## STRAWBRIDGE & CLOTHIER

| | Year Ended | |
|---|---|---|
| | *January 28, 1956* | *January 31, 1955* |
| Income before "Lifo" inventory adjustment and before deducting interest, depreciation, and provision for income taxes | $ 6,255,703 | $ 5,830,129 |
| Deduct: | | |
| "Lifo" inventory adjustment (credit) | 58,682 | ( 155,619) |
| Interest | 259,538 | 192,586 |
| Depreciation and amortization | 962,362 | 790,745 |
| | $ 1,280,582 | $ 827,712 |
| INCOME BEFORE TAXES ON INCOME | $ 4,975,121 | $ 5,002,417 |
| Taxes on income: | | |
| Provision for the year—estimated: | | |
| Federal income tax | 2,322,500 | 2,150,000 |
| State income tax | 205,500 | 164,700 |
| Income taxes on installment sales gross profit (deferred for tax purposes) | 162,000 | 244,000 |
| | $ 2,690,000 | $ 2,558,700 |
| NET EARNINGS | $ 2,285,121 | $ 2,443,717 |

*See accompanying Notes to Financial Statements*

## Statement of

## STRAWBRIDGE

| ASSETS | *January 28, 1956* | *January 31, 1955* |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash | $ 2,831,275 | $ 2,769,166 |
| Accounts receivable: | | |
| Customers: | | |
| Charge accounts | 11,757,618 | 11,373,606 |
| Installment accounts | 6,532,029 | 5,604,348 |
| Suppliers | 297,886 | 339,603 |
| | $18,587,533 | $17,317,557 |
| Less allowance for loss | 425,000 | 425,000 |
| | $18,162,533 | $16,892,557 |
| Merchandise inventories (Note A) | 8,616,097 | 8,350,381 |
| TOTAL CURRENT ASSETS | $29,609,905 | $28,012,104 |
| **OTHER ASSETS** | | |
| Miscellaneous accounts receivable and advances | 67,853 | 70,222 |
| Sundry investments—at cost | 226,191 | 226,191 |
| | $ 294,044 | $ 296,413 |
| Less allowance for loss | 25,000 | 25,000 |
| | $ 269,044 | $ 271,413 |
| **PROPERTY, FIXTURES, AND EQUIPMENT—At cost** | | |
| Land, buildings, and equipment | 32,670,227 | 31,774,589 |
| Less allowance for depreciation | 12,797,250 | 11,738,433 |
| | $19,872,977 | $20,036,156 |
| **DEFERRED CHARGES** | | |
| Prepaid expenses | 497,049 | 370,528 |
| Supply inventories | 249,779 | 247,771 |
| | $ 746,828 | $ 618,299 |
| TOTAL ASSETS | $50,498,754 | $48,937,972 |

*See accompanying Notes*

| LIABILITIES AND STOCKHOLDERS' INVESTMENT | *January 28, 1956* | *January 31, 1955* |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Term note installments maturing within one year | $ 500,000 | $ 0 |
| Accounts payable | 3,685,052 | 4,376,099 |
| Accrued accounts | 744,659 | 1,136,231 |
| Pay roll taxes and taxes withheld from employees | 556,042 | 227,780 |
| Federal, state, and local taxes—estimated | 2,537,994 | 2,731,896 |
| Deposits on U. S. Savings Bond subscriptions | 32,149 | 43,449 |
| Dividends payable | 182,996 | 174,279 |
| TOTAL CURRENT LIABILITIES | $ 8,238,892 | $ 8,689,734 |
| **TERM NOTES PAYABLE** (Note B) | | |
| To banks and insurance company—due in periodic installments beginning March 1, 1956 | 6,000,000 | 4,800,000 |
| Less installments due within one year | 500,000 | 0 |
| | $ 5,500,000 | $ 4,800,000 |
| **RESERVES** | | |
| For income taxes on installment sale gross profit (deferred for tax purposes)—estimated | 1,197,000 | 1,035,000 |
| For deferred compensation and contingencies | 175,000 | 125,000 |
| | $ 1,372,000 | $ 1,160,000 |
| TOTAL LIABILITIES | $15,110,892 | $14,649,734 |
| **STOCKHOLDERS' INVESTMENT** | | |
| Capital stock: | | |
| $5.00 Cumulative Preferred Stock, par value $100.00 per share, redeemable at $105.00 per share—at January 28, 1956, authorized 85,348 shares; outstanding 78,203 shares, after deducting 644 shares in treasury (outstanding at January 31, 1955, 78,787 shares) (Note C) | 7,820,300 | 7,878,700 |
| Common Stock, par value $5.00 per share—authorized 1,000,000 shares; outstanding 732,063 shares (outstanding at January 31, 1955, 697,202 shares) (Note D) | 3,660,315 | 3,486,010 |
| Capital in addition to par value of shares | 3,434,374 | 2,774,768 |
| Earnings retained for use in the business | 20,472,873 | 20,148,760 |
| TOTAL STOCKHOLDERS' INVESTMENT | $35,387,862 | $34,288,238 |
| | $50,498,754 | $48,937,972 |

**LONG-TERM LEASE COMMITMENTS** (Note E)

*to Financial Statements*

## Statement of Stockholders' Investment

## STRAWBRIDGE & CLOTHIER

| | Year Ended | |
|---|---|---|
| | *January 28, 1956* | *January 31, 1955* |
| CAPITAL STOCK | | |
| Preferred Stock: | | |
| Balance at beginning of year | $ 7,878,700 | $ 8,060,400 |
| Less shares acquired during year | 58,400 | 181,700 |
| | $ 7,820,300 | $ 7,878,700 |
| Common Stock: | | |
| Balance at beginning of year | $ 3,486,010 | $ 3,320,005 |
| Stock dividend | 174,305 | 166,005 |
| | $ 3,660,315 | $ 3,486,010 |
| CAPITAL IN ADDITION TO PAR VALUE OF SHARES | | |
| Balance at beginning of year | $ 2,774,768 | $ 2,219,106 |
| Excess of amount charged against earnings retained for use in the business over the par value of Common Stock issued as stock dividend | 662,359 | 564,417 |
| | $ 3,437,127 | $ 2,783,523 |
| Deduct premium paid on acquisition of $5.00 Cumulative Preferred Stock for treasury | 2,753 | 8,755 |
| | $ 3,434,374 | $ 2,774,768 |
| EARNINGS RETAINED FOR USE IN THE BUSINESS | | |
| Balance at beginning of year | $20,148,760 | $19,533,645 |
| Add net earnings for the year | 2,285,121 | 2,443,717 |
| | $22,433,881 | $21,977,362 |
| Deduct: | | |
| Cash dividends on Preferred Stock ($5.00 per share) | 392,410 | 401,151 |
| Cash dividends on Common Stock ($1.00 per share) | 731,934 | 697,029 |
| Stock dividends declared February 16, 1955, and February 24, 1954 (one share of Common Stock for each twenty shares outstanding): | | |
| Paid March 25, 1955—34,861 shares on the basis of $24.00 per share; paid March 25, 1954—33,201 shares on the basis of $22.00 per share | 836,664 | 730,422 |
| | $ 1,961,008 | $ 1,828,602 |
| EARNINGS RETAINED FOR USE IN THE BUSINESS | $20,472,873 | $20,148,760 |
| TOTAL STOCKHOLDERS' INVESTMENT | $35,387,862 | $34,288,238 |

*See accompanying Notes to Financial Statements*

## Notes to Financial Statements

## STRAWBRIDGE & CLOTHIER

NOTE A—Inventories of merchandise on hand and in transit are priced at cost on the last-in, first-out basis, determined under principles and by the use of published indices of price changes approved by the Commissioner of Internal Revenue with respect to department stores generally. Such basis of pricing resulted in aggregate amounts for inventories at January 28, 1956, and January 31, 1955, approximately $1,988,000 and $1,929,000, respectively, less than the amounts which would have been determined under the retail inventory method applied without regard to last-in, first-out principles.

NOTE B—At January 28, 1956, the Company had borrowed under a long-term loan agreement $6,000,000 which is payable in quarterly and semi-annual installments, beginning March 1, 1956, over a period of fourteen years. This loan agreement provides, among other things, that while the note remains unpaid the Company will maintain minimum working capital of $10,000,000, and that the aggregate after January 31, 1953, of payments of dividends (other than dividends paid in capital stock of the Company) and purchases of capital stock will not exceed the sum of $4,000,000 plus the amount of earnings accumulated after January 31, 1953. The amount available for such purposes at January 28, 1956, was $7,239,528.

NOTE C—Sinking fund provisions of the $5.00 Cumulative Preferred Stock require that on April 1st of each year the Company shall redeem shares of such class of stock in an amount of par value equal to two per cent of the greatest amount at any time outstanding after February 1, 1948, and prior to the date of such redemption. In compliance with such provisions, 1,799 shares of the $5.00 Cumulative Preferred Stock were retired on April 1, 1955.

Dividends on the $5.00 Cumulative Preferred Stock have been paid to January 3, 1956, a dividend date.

NOTE D—On February 17, 1956, the Board of Directors declared a dividend on Common Stock, payable in shares of Common Stock at the rate of one dividend share for each 20 shares outstanding. The dividend shares, 36,603 in number (including scrip for fractional shares), were issued on March 23, 1956. In connection with this dividend the Board of Directors authorized transfers from Earnings Retained for Use in the Business to (a) Capital Stock, the sum of $5.00 (par value) for each dividend share and (b) to Capital in Addition to Par Value of Shares, the sum of $20.00 for each dividend share.

NOTE E—At January 28, 1956, the Company was lessee under four leases on store properties with terms, if renewal options are exercised, of not less than twenty-five years from the above date in each case. The annual rentals under these leases are conditional upon sales and the present aggregate minimum rentals are $343,000 per annum.

# STRAWBRIDGE & CLOTHIER

BUILDERS OF
CONFIDENCE
SINCE 1868

PHILADELPHIA

ARDMORE

JENKINTOWN

WILMINGTON